

ANSWER TO QUESTION REGARDING THE COST OF THE SYSTEM

The contributions to the CIA Fund and earnings on those contributions do not fully cover the costs of the benefits earned under the system. Also, the costs of crediting prior military service is not funded at all and prior civilian service is inadequately funded.

Like all other major federal staff retirement systems, the contribution rate under the CIA system is 7% of salary which is matched by the Government. The same contribution rate is paid by other groups of federal employees, such as Foreign Service, FBI and other law-enforcement personnel, Secret Service, air traffic controllers and firefighters who receive retirement benefits equal to or superior to those provided under the CIA Retirement system.

There are a number of reasons for the higher normal cost of the CIA Retirement system, when compared to a system such as Civil Service, for example.

First, as a result of lower turnover of personnel, a higher portion earn retirement benefits. This increases the average cost per participant.

Second, unlike the Civil Service system, the CIA system does not contain as high a percentage of employees whose salaries during a career span do not progress greatly beyond their entrance on duty salaries.

Third, the voluntary and mandatory retirement ages under the CIA system contribute to a lower average retirement age and a longer potential drawing of benefits.

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ANSWER TO QUESTION CONCERNING FINANCIAL SOUNDNESS
OF
THE CIA RETIREMENT FUND

Right now the CIA Retirement Fund is not as sound as the funds supporting the Civil Service and Foreign Service Retirement systems, for example.

Within the last several years legislation has been approved for both the Civil Service and Foreign Service Retirement systems which stabilizes the level of money in those funds through the payment of interest on unfunded liability and full payment for unfunded liability attributable to the crediting of prior military service.

It is important that the CIA Retirement Fund be placed on a sounder financial basis. A draft bill which incorporates the funding provisions now in effect for the Civil Service and in effect and proposed for the Foreign Service Retirement system is now pending within the Office of Management and Budget. We are hopeful that it will be transmitted in the near future to the 93rd Congress.